

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name KMP Emergency Facility	County Grand Traverse
Audit Date 3/31/05	Opinion Date 6/1/05	Date Accountant Report Submitted to State: July 12, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

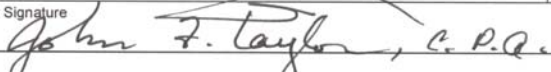
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 7/13/05

KMP EMERGENCY FACILITY

KINGSLEY, MICHIGAN

MARCH 31, 2005

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2005

INDEPENDENT AUDITORS' REPORT

To the KMP Emergency Facility Committee
Village of Kingsley, Mayfield Township and Paradise Township
Kingsley, Michigan

We have audited the accompanying basic financial statements of the governmental activities, of the KMP Emergency Facility, Grand Traverse County, Kingsley, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Facility's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the KMP Emergency Facility's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the KMP Emergency Facility, Grand Traverse County, Kingsley, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the KMP Emergency Facility has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through vi and budgetary comparison information on page 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole except as noted in the preceding paragraph.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

The KMP Emergency Facility is located in Kingsley, Michigan, and has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the KMP Emergency Facility's administration's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund financial statements and government-wide financial statements.

A. Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

B. Government-wide Financial Statements

The government-wide financial statements, required by GASB 34, are new and being shown for the first time for March 31, 2005 for the KMP Emergency Facility. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Facility's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

C. Summary of Net Assets

The following schedule summarizes the net assets at March 31, 2005:

Assets	
Current Assets	\$ 9,057
Non Current Assets	
Capital Assets	\$ 127,029
Less Accumulated Depreciation	74,350
Total Non Current Assets	\$ 52,679
Total Assets	\$ 61,736
Liabilities	
Current Liabilities	\$ 6,527
Net Assets	
Invested in Capital Assets	\$ 52,679
Unrestricted	2,530
Total Net Assets	\$ 55,209
Total Liabilities and Net Assets	\$ 61,736

D. Analysis of Financial Position

During the fiscal year ended March 31, 2005, the Facility's net assets decreased by \$1,385. The more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires KMP Emergency Facility to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended March 31, 2005, \$3,094 was recorded for depreciation expense.

E. Results of Operations

For the fiscal year ended March 31, 2005, the results of operations were:

	<u>Amount</u>	<u>% of Total</u>
General Revenues		
Investment Earnings	\$ <u>44</u>	<u>0.26%</u>
Program Revenues		
Operating Grants and Contributions	\$ 13,101	76.41%
Charges for Services	<u>4,000</u>	<u>23.33%</u>
Total Program Revenues	\$ <u>17,101</u>	<u>99.74%</u>
Total Revenues	\$ <u>17,145</u>	<u>100.00%</u>
Expenses		
General Government	\$ <u>18,530</u>	<u>100.00%</u>
Change in Net Assets	\$ <u>(1,385)</u>	

F. Analysis of Significant Revenues

Significant revenues are discussed in the segments below:

1. Operating Grants and Contributions

Paradise Township, Mayfield Township and the Village of Kingsley fund a portion of its operations with contributions. For the fiscal year ended March 31, 2005 contributions accounted for \$13,101.

2. Charges for Services

Rental income is another major source of revenue for the Facility. For the year ended March 31, 2005, rental income totaled \$4,000

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on March 31.

The following schedule shows a comparison of the final general fund budget and actual totals from operations.

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Total Revenues	\$ 15,005	\$ 17,145	\$ 2,140
Total Expenditures	17,304	15,436	1,868

H. Capital Asset

1. Capital Assets

At March 31, 2005, the Facility had \$127,029 in capital assets, including a building and building improvements. Depreciation expense for the year amounted to \$3,094 bringing the accumulated depreciation to \$74,350 as of March 31, 2005.

I. Factors Bearing on the Facility's Future

At the time that these financial statements were prepared and audited, the Facility was aware of the following items that could significantly affect its financial health in the future:

A significant portion of the Facility's funding comes from contributions from local units; any impairment to these funding sources would greatly impact the future of the Facility. In addition, Paradise Township has built a new office building and no longer maintains its offices at the Facility.

J. Contacting the Facility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Facility's finances and to demonstrate the Facility's accountability for the money it receives. If you have questions about this report, please contact the KMP Emergency Facility, 115 Blair Street, Kingsley, MI 49649.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

ASSETS

Cash	\$ 8,057
Due from Other Governments	<u>1,000</u>
 Total Current Assets	 <u>\$ 9,057</u>

CAPITAL ASSETS

Buildings	\$ 93,489
Building Improvements	<u>33,540</u>
	\$ 127,029
Less Accumulated Depreciation	<u>74,350</u>
Net Capital Assets	<u>\$ 52,679</u>
 TOTAL ASSETS	 <u>\$ 61,736</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 381
Deferred Revenue	<u>6,146</u>
 TOTAL LIABILITIES	 <u>\$ 6,527</u>

EQUITY

Net Assets:

Invested in Capital Assets	\$ 52,679
Unrestricted	<u>2,530</u>
 TOTAL NET ASSETS	 <u><u>\$ 55,209</u></u>

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

STATEMENT OF ACTIVITIES
MARCH 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and Changes
		Services	Grants and	in Net Assets
			Contributions	Total
General Government	\$ 18,530	\$ 4,000	\$ 13,101	\$ (1,429)
<u>General Revenues</u>				
Unrestricted Investment Earnings				44
Change in Net Assets				\$ (1,385)
NET ASSETS - Beginning of Year				56,594
NET ASSETS - End of Year				\$ 55,209

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

GENERAL FUND
BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	\$ 8,057
Due from Other Governments	<u>1,000</u>
TOTAL ASSETS	<u><u>\$ 9,057</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 381
Deferred Revenue	<u>6,146</u>
Total Liabilities	\$ 6,527

FUND BALANCE

Unreserved	
Undesignated	<u>2,530</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 9,057</u></u>

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GENERAL FUND TO NET ASSETS

MARCH 31, 2005

Total Governmental Fund Balances	\$	2,530
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Buildings	93,489	
Building Improvements	33,540	
Accumulated Depreciation	<u>(74,350)</u>	<u>52,679</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>55,209</u></u>
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The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND

YEAR ENDED MARCH 31, 2005

REVENUES

Local Grants	
Contributions from Participating Units	\$ 13,101
Interest and Rents	
Interest	44
Rents	<u>4,000</u>
Total Revenues	<u>\$ 17,145</u>

EXPENDITURES

General Government	
Treasurer	\$ 600
Contracted Services	2,200
Heating Fuel	4,521
Electricity	4,325
Water and Sewer	507
Trash Removal	241
Bank Charges and Fees	10
Building Supplies	121
Cleaning	1,600
Insurance	108
Repairs and Maintenance	<u>1,203</u>
Total Expenditures	<u>\$ 15,436</u>
Excess (Deficiency) of Revenues	
Over Expenditures	\$ 1,709

<u>FUND BALANCE</u> - Beginning of Year	<u>821</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 2,530</u></u>

The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2005

Net change in Fund Balances - Total Governmental Funds	\$ 1,709
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.

Depreciation Expense	<u>(3,094)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,385)</u></u>
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The accompanying notes are an integral part of these financial statements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the KMP Emergency Facility have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Facility's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Facility's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Facility's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Facility has implemented the provisions of Statement No. 34 effective April 1, 2004.

A. Reporting Entity

The KMP Emergency Facility is a joint venture established to construct and maintain a town hall for the Village of Kingsley and Paradise Township, and a fire hall for the Village of Kingsley and Paradise and Mayfield Townships. Expenses in excess of rent receipts are underwritten by these units based on an allocation formula. The accounting policies of the KMP Emergency Facility, Kingsley, Michigan, conform to generally accepted accounting principles as applicable to governments. Under the criteria established by generally accepted accounting principles, the Facility has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

For the fiscal year 2005, the Facility adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Facility as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Facility only has a governmental fund called the General Fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Facility are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Facility considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Facility.

The Facility reports the following major governmental fund:

The General Fund is the primary operating fund of the Facility. It is used to account for all financial resources of the Facility.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Facility's investment policy is in accordance with state statutes and authorizes the Facility to invest in bank savings accounts, bank certificates of deposit, securities of the U.S. Government, and repurchase agreements from banks.

2. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	50 years
Building Improvements	20 years

The Facility's capitalization policy is to capitalize individual amounts exceeding \$1,000.

3. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

4. Fund Balance

In the financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on May 12, 2004.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

III. DETAILED NOTES ON GENERAL FUND

A. Deposits and Investments

At year end, the carrying amount of the government's deposits was \$8,057 and the bank balance was \$8,143 which was covered by Federal Depository Insurance.

B. Capital Assets

A summary of changes in the Facility's capital assets follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Capital assets:				
Building	\$ 93,489	\$ 0	\$ 0	\$ 93,489
Building Improvements	33,540	0	0	33,540
Subtotal	\$ 127,029	\$ 0	\$ 0	\$ 127,029
Accumulated depreciation	(71,256)	(3,094)	0	(74,350)
Net capital assets	\$ 55,773	\$ (3,094)	\$ 0	\$ 52,679

Depreciation expense for the fiscal year ended March 31, 2005 amounted to \$3,094.

C. Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and natural disasters for which it carries commercial insurance. Claims have not exceeded insurance limits for any of the last three years.

KMP EMERGENCY FACILITY
KINGSLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED MARCH 31, 2005

	<u>GENERAL FUND</u>		
	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>			
Local Grants			
Contributions from Participating Units	\$ 11,000	\$ 13,101	\$ 2,101
Interest and Rents			
Interest	5	44	39
Rents	4,000	4,000	0
Total Revenues	<u>\$ 15,005</u>	<u>\$ 17,145</u>	<u>\$ 2,140</u>
<u>EXPENDITURES</u>			
General Government			
Treasurer	\$ 500	\$ 600	\$ (100)
Contracted Services	0	2,200	(2,200)
Heating Fuel	3,400	4,521	(1,121)
Electricity	3,350	4,325	(975)
Water and Sewer	360	507	(147)
Trash Removal	205	241	(36)
Bank Charges and Fees	0	10	(10)
Building Supplies	212	121	91
Cleaning	1,650	1,600	50
Insurance	4,500	108	4,392
Repairs and Maintenance	3,127	1,203	1,924
Total Expenditures	<u>\$ 17,304</u>	<u>\$ 15,436</u>	<u>\$ 1,868</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,299)</u>	<u>\$ 1,709</u>	<u>\$ 4,008</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>2,299</u>	<u>821</u>	<u>(1,478)</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 2,530</u>	<u>\$ 2,530</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the KMP Emergency Facility Committee
Village of Kingsley, Mayfield Township and Paradise Township
Kingsley, Michigan

Dear Members of the Committee:

We have completed our audit of the financial statements of the KMP Emergency Facility and are communicating to you our findings and recommendations for the year ended March 31, 2005.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for the Facility's financial statements. For the Facility, these changes were implemented in the March 31, 2005 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that report financial information on a government-wide basis and incorporate capital assets, a provision for depreciation on those assets as well as long-term liabilities of the Facility.

Budgeting

Pertaining to the Facility's compliance with Public Act 621 of 1978, the following items are noted:

- (1) Expenditures in various activities of the General Fund exceeded appropriations. In the future, the budget should be amended before the disbursements are made. All budget amendments should be a resolution of the committee and recorded in the minutes.
- (2) The budget was adopted late. The Facility should always adopt the budget before the fiscal year.

Capitalization Policy

As part of implementing GASB 34, the Committee should adopt a capitalization threshold policy. The policy sets the minimum dollar cost of individual assets that will be “capitalized” and depreciated for reporting purposes. We recommend that the threshold be set at \$1,000.

Conclusion

We wish to take this opportunity to thank the Committee for the confidence they have expressed in our firm by awarding us this engagement. We hope these comments and recommendations will be viewed as constructive. Overall, we believe that the hard work and determination demonstrated by the Committee and employees of the Facility have enabled the Facility to be successful, and will continue to make it successful well into the future.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2005

LETTER OF REPORTABLE CONDITIONS

To the KMP Emergency Facility Committee
Village of Kingsley, Mayfield Township and Paradise Township
Kingsley, Michigan

In planning and performing our audit of the basic financial statements of the KMP Emergency Facility for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Facility makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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